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FOREIGN AGRICULTURE

April 18, 1977



Grading Indian sugar

TRI-AGENCY READING ROOM

- South America Pushes Meat Output, Exports

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Grading of Indian sugar at a khandsari unit in Uttar Pradesh. Low world prices for sugar have brought alterations in the sugar production targets of India and three other Asian producers—see article on page 10.

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Higher Meat Output, Exports Sought in South America

By ALAN K. HEMPHILL

Foreign Commodity Analysis—Dairy, Livestock, and Poultry
Foreign Agricultural Service



SEVERAL SOUTH AMERICAN countries—Brazil, Argentina, Peru, and Colombia¹—are expanding their production and/or exports of certain meats and poultry, possibly triggering increased imports of U.S. livestock and parent stock for breeding. Long-term growth plans vary by country, but generally focus on expansion of facilities and improvement of breeding, feeding, production, and processing techniques for poultry and/or livestock.

For each country, achievement of these long-term development goals is taking a different route. For example, Brazil is expanding production and constructing freezing facilities to enable both increased consumption and larger exports of broilers. Argentina, on the other hand, has been seeing its short-term production of broilers decrease, but its exports expand. Peru is seeking alternative feedstuffs to the currently used fishmeal, which affects the palatability of poultry meat.

The situation in each of the four countries:

Brazil. Over the next 5 years, it is assumed that Brazil's economy will grow 5-7 percent annually, and that this will have a parallel impact on meat consumption.

The Ministry of Agriculture is currently making a study of Brazil's meat production, consumption, and trade in the recent past, as well as a forecast for the next 5, 10, and 15 years. The study will most likely indicate that beef production will be steady to slightly rising, consumption will be steady to possibly down (as consumption of other meat and protein products is emphasized), and exports will be up.

Others note that unless the low established price for beef is changed, there is little reason to expect that consumption will not continue increasing as rapidly as production permits.

Output, consumption, and exports of pork and poultry are all expected to rise at a faster rate than the annual growth rate of the economy.

The fastest growing sector of the

Brazilian meat industry is the production and export of broilers, which some industry sources feel may double in the next few years. Lack of freezing facilities at Itají in Santa Catarina, the state that accounts for nearly all broiler exports, is expected to hold 1977 export of broilers to about 40,000 metric tons (compared with 28,000 tons in 1976).

The Government of Santa Catarina, however, is attempting to boost exports through construction of freezing facilities at the port. Santa Catarina currently accounts for about 15 percent of the country's total broiler production of over 400,000 tons, and production in this State is certain to double in the next few years.

Consumption of poultry is expanding rapidly and is consumed mostly in the State of São Paulo. Many of the newer facilities are producing frozen birds, which are moving not only into export, but also into low or nonproducing areas of Brazil.

Beef production—currently estimated at 2.3 million tons—has been growing slowly, inhibited by traditional ranching practices and the seasonalities of rains and pastures. Consumption of beef in Brazil has been growing somewhat more rapidly, reducing the quantity of beef to process and/or export. To maintain beef exports, Brazil has been importing beef from its neighbors, especially Uruguay, for processing and reexport.

While varying from year to year, Brazil's production of pork (approximately 775,000 tons in 1976) generally has been upward—particularly in the past 5 years when it has grown by over one-third. This results from changes in production techniques and the types of hogs raised. Previously, lard-type hogs were raised, generally in small herds, and fed for a long period of time.

Recently, however, vegetable oils have become more popular than lard, and new breeds of hogs—Duroc, Yorkshire, Hampshire, and Landrace—are being raised for hams, bacon, and sausage. Many foresee a rapid expansion in meat-type hog raising, replacing the lard-type animals. Brazil has been an exporter of pork, but the quantities have been small. Future exports, however, could become sizable.

Argentina. Beef production in Argentina is expected to drop 200,000 tons in 1977 to 2.6 million tons. Exports, however, will probably increase

—possibly by 100,000 tons—to around 600,000 tons. Inflation—rising faster than wages and resulting in lower purchasing power—is responsible for lower consumption. In order to gain foreign exchange, the Meat Board has been emphasizing exports, primarily by providing better exchange rates than in the past.

All other meats are mere adjuncts to beef, which has a high yearly domestic consumption rate of about 85 kilograms per capita. Pork consumption has remained relatively constant (9-10 kilograms per capita), while that of poultry has fluctuated between 5 and 9 kilograms per capita.

Beef production and exports, along with general purchasing power, may be the factors that most affect poultry production and exports. If Argentines continue to use their reduced purchasing power to buy meats, with production of beef down and exports up, consumption of poultry should increase as rapidly as parent stock increases permit. The movement to export poultry, therefore, may falter.

THUS, THE FUTURE of poultry exports from Argentina is uncertain. In 1976, approximately 10 percent of the 250,000 tons of poultry produced was exported. Whether exports continue depends on domestic consumption patterns, obtaining financial assistance at or near current prices, and changing packaging to suit export markets.

Peru. The Government of Peru recently has been emphasizing production and consumption of poultry in an attempt to make the country more self-sufficient in the types of meat consumed. As a result, production and consumption of poultry have been stressed, while imports of beef have been downplayed.

Peru's production of poultry, which grew rapidly in the early 1970's, is expected to see very slow growth in 1976 and 1977, but in the long term is expected to increase between 10 and 15 percent annually. Domestic consumption accounted for all the 130,000 tons of poultry produced in 1976, but may not keep pace with future production, resulting in exports.

Poultry consumption is greater in the capital area, Lima, than in other areas because the city has beefless days—the first 15 days of the month—whereas other areas either do not have this policy or do not enforce it.

Left, tending layers in Colombia. Although Colombians are heavy consumers of beef, poultry consumption has been increasing rapidly, with poultry sales in local shops, supermarkets, and rotisseries trending upward.



Above, a crossbred herd of Peruvian cattle, many of which are used both for milk and beef production.

One reason domestic consumption of poultry in Peru is low (7 kilograms per capita) is the quantity of fishmeal used in feed, which causes the poultry meat to taste fishy. Use of soybean meal could resolve this problem.

However, Peru's small soybean production can supply only part of the country's poultry feed needs. The Government is looking into a plan in which fishmeal would be exported and the foreign exchange garnered from it used to purchase imported soybeans.

With the Government attempting to substitute poultry consumption for that of imported beef, poultry production has been receiving Government assistance in the way of credit. However, there is some doubt if direct assistance would be given for exports, and without it, exports would be uneconomical. An additional problem is that production techniques make long distance shipments unfeasible. Without extensive changes, exports could occur only to nearby countries. Some parent stock, eggs, and a little poultry meat have been shipped to Bolivia.

Egg production is also forecast to increase 10-12 percent in the long run, as there has been a tendency to use eggs as a substitute for meat, which is less available and higher priced. However, as broiler prices have risen recently, pullets have been killed to supplement broiler production, and as a result, the supply of eggs for the near future will likely be reduced.

Production of pork in Peru is expected to increase as the number of hogs on commercial farms, now representing about 15 percent of the pork sector, increases. This sector of the swine area is modeled on U.S. methods, using U.S. breeds. Feedstuffs, again, are a limiting factor, but attempts are being made to use molasses and other sugar byproducts to compensate. Peruvian farmers have expressed interest in importing more U.S. hog breeds.

Of all these meats, only pork has been freed from Government price controls. Monthly sales in Lima have increased from 900 tons to 1,200 tons since the removal of price controls as supplies have increased. Some indicate that if similar modifications would be made for poultry and beef, production and consumption would rise.

BEEF PRODUCTION—about 86,000 tons in 1975—has been steadily falling from a high in the 90,000-ton level produced in the early 1970's. Recently, plans have been implemented to increase production in the eastern area of the country, the Amazon lowlands. This area would emphasize dual-purpose cattle—crossbreeding Brown Swiss with domestic Zebu types. Peru plans to import Brown Swiss from the United States, with the number depending on availability of foreign exchange.

Per capita consumption of beef has fallen even more rapidly than production, as imports have been slashed to

save on foreign exchange.

Colombia. This country is currently a heavy consumer of beef, relative to other types of meat. Per capita consumption of beef is approximately 18 kilograms, while that of pork is about 4 kilograms and poultry slightly less. However, recently the consumption of poultry has been increasing at an annual rate of 10-15 percent, while that of beef is growing only about 3 percent.

Some sources forecast that the growth of the poultry industry will slow in the future as sorghum, which is used in poultry feed, competes for land with corn—the main foodstuff.

An additional limitation is that poultry is price competitive with second class beef, yet costs more to produce. Also, beef is considered a basic item in the diet of many Colombians.

But poultry consumption is definitely on the rise. Poultry sales in local shops and supermarkets are up, as are sales from rotisseries. The market is free and prices for eggs and poultry are rising. Prices of feedstuffs also have been rising steadily, and to satisfy demand, imports may become necessary. Poultry raisers have asked the Government's approval to import feedstuffs; however, it is still uncertain whether imports will be allowed.

Cattle numbers in Colombia, currently at 24.5 million head, are growing very slowly, but efficiencies in production have helped total beef output increase more rapidly.

Drop in World Wheat Output Projected for 1977/78 Crop

SOME DECLINE in the 1977/78 world wheat crop is projected as a result of reduced planting areas in major exporting countries, according to USDA's March report¹ revising February 1, 1977, estimates. Also, an increase of 6.8 million metric tons in wheat and coarse grain production and a rise of 8.1 million tons in consumption of these grains are now seen for the 1976/77 world grain situation.

Other significant shifts since the last report are the continued unexpected large wheat purchases by the People's Republic of China (PRC), and reduced estimates of the Soviet Union's coarse grain trade for 1976/77 (July-June). Latest estimates of world rice production have dropped 600,000 tons to 343.8 million (paddy basis) as crop estimates in Burma, Brazil, and the PRC have been revised downward while India's has increased slightly.

The 1977/78 prospects indicate a probable decline in world wheat production from the relatively high 1976/77 level—now estimated at 412.4 million tons. This production dropoff is attributed to probable reductions in wheat areas in the United States and major foreign exporting countries.

Weather conditions for the 1977 U.S. grain crop have shown some improvement since late February. The Pacific Northwest and parts of the Corn Belt and the Northern Great Plains have received significant precipitation to ease the severe drought. Despite recent rains, subsoil moisture reserves remain below normal in the Plains States and Corn Belt. Also, the extreme drought persists in California, and parts of the southern Plains remain dry.

Latest estimate of the 1976/77 harvested grain area in the United States is 72.5 million hectares, up 1.5 million from the previous year's.

World harvested grain area gained an estimated 9.5 million hectares in 1976/77 to 592.6 million. World and U.S. wheat areas in 1976/77 are estimated at 231.7 million hectares and 28.7 million hectares, respectively.

In Canada, recent recommendations

by the minister responsible for the Wheat Board call for a 57 percent reduction in Canada's Durum wheat plantings in 1977/78 as well as a 7 percent cut-back in other spring wheat plantings.

While wheat sowings in Argentina will not begin for several months, some area reduction is likely, with wheat plantings down 10 percent or more. The level of Australian wheat plantings will depend on conditions at seeding.

The 1977 Soviet target for grain production is 213 million tons (including miscellaneous grains and pulses), but the eventual outturn will hinge largely on weather conditions that tend to vary extremely in the USSR. Discounting miscellaneous grains and pulses, the Soviet goal would include a wheat and coarse grain output of about 200 million tons for a decline of 12 million tons from the 1976 crop.

CONDITIONS in Western Europe point to a crop well above last year's drought-affected level. Despite planting difficulties in the United Kingdom, Italy, and Portugal, soil moisture conditions are generally good throughout Western Europe. Winter grains in France are reportedly in excellent shape. In the PRC, 1976's autumn sowing conditions in North China were not as good as those of a year earlier, and winter area is believed to be down slightly. Precipitation reportedly has been light over the main wheat areas.

Difficulties have appeared in several of the first-harvested 1977 crops. In India, the spring grain crop is estimated 3-5 million tons below the year-ago level of 28.3 million tons. Because of drought and disease, early indications project Mexico's total 1977/78 crop at 700,000 tons less than the 3-million-ton level a year earlier. Parts of North Africa reported prospects for a crop less favorable than in 1976. (See *Foreign Agriculture*, Apr. 11, 1977.)

The world wheat production estimate for 1976/77, meanwhile, has been raised 1.6 million tons over the previous forecast to 412.4 million tons. The bulk of this increase—1 million tons—occurs in Eastern Europe where the output is expected to reach 34.7 million tons. Wheat crop estimates in Australia and

Argentina, now raised by 100,000 tons, are 11.8 million tons, and 11.2 million, respectively. Estimates for the United States (58.4 million tons), Canada (23.5 million) and the USSR (96.9 million) remain unchanged.

Projections of the 1976/77 coarse grain production are up 5.2 million tons since the earlier assessment to 692.1 million tons. Nearly 3 million tons of this upturn occurred in leading Southern Hemisphere countries where corn and sorghum crops have benefited from favorable conditions, and final harvests now underway should be well above year-earlier levels. Production estimates in the USSR are up 1.7 million tons since the February report to 115 million tons—nearly 50 million above year-ago levels. Other new estimates are for Western Europe, up 500,000 tons to 73.5 million, and Eastern Europe, up 600,000 tons to 58.9 million. The estimated U.S. total of 193.1 million tons is the same as in February.

The 1976/77 consumption forecast of 1,049.5 million tons for wheat and coarse grains has been adjusted for increases in smaller markets. Also, West Europe's feed use of grain this season is especially large because of short supplies of forage and other nongrain feeds, and estimates for many smaller countries may have been understated because stock changes cannot be separated from actual consumption.

WORLD CARRYOVER stocks of wheat and coarse grains in 1976/77 are forecast at 170.1 million tons, up 2.3 million since the last estimate—and 55 million from last year's levels. World trade estimates for 1976/77 (excluding intra-European Community) are up 1 million tons in the new report.

Most significant in recent weeks are the continued large wheat imports by the PRC, which has contracted for at least 5.1 million tons for delivery in calendar 1977, compared with 2.1 million in 1976. Of these imports, 2.5 million tons are expected to originate in Australia, 2.3 million in Canada, and at least 300,000 in Argentina. Wheat imports by the PRC in 1977/78 (July-June) likely will exceed 3.7 million tons.

On the export side of world wheat trade, Australian and Argentina shipments in 1976/77 are each estimated up 200,000 tons to 8 million and 5 million, respectively. On the other hand, the U.S. wheat export estimate (excluding products other than wheat flour) is

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¹ "World Grain Situation: Review of 1976/77 and Prospects of 1977/78," FG 3-77, March 23, 1977.

BRITISH AGRICULTURE SUFFERS SETBACKS

DASHING Government hopes for expanded crops and reduced imports, agriculture in the United Kingdom suffered another setback last year as a result of a second straight summer of drought, depreciation of the pound sterling, and high inflation. Assuming normal weather conditions return, some agricultural expansion seems likely in 1977, particularly in grains and livestock.

The country likewise will attempt once again to curb its import needs following an unsuccessful try last year. Then, import prices were boosted not only by increased needs arising from the drought but also by the fall in value of sterling, which pushed up the cost of imported products. As a result, agricultural imports jumped to about \$8.9 billion in the first 11 months of 1976 for a 19.5 percent gain from the 1975 figure, further inflating an import bill that already is one of the largest in the world.

High prices for imported meats accounted for most of the increase in the cost of agricultural products. The meat import bill rose 19 percent to \$1.3 billion in 1976. Other large import costs were: Cereals, up 24 percent to about \$1.2 billion; fruit and vegetables, up 36 percent, to almost \$1.5 billion; textile fibers, up 63 percent to \$673 million; tea, coffee, cocoa, and spices, up 49 percent to \$402 million; and oilseeds, up 58 percent to \$324 million. Major decreases in the value of farm imports occurred in: Sugar, down from record levels by 31 percent to \$310 million; dairy products, down 6 percent to \$773 million; and live animals, down 2.3 percent to \$133 million.

For the first time since the United Kingdom's entry into the European Community (EC), the Community's share of British farm imports declined, slipping from 46 percent in 1975 to 41 percent last year. When the British entered the EC, gloomy predictions prevailed concerning the U.S. share of the U.K. market. After maintaining an 8-9 percent rate, the U.S. share slumped to 6.5 percent in 1975. Last year, however, the U.S. share recovered to about 8 percent, primarily through increased imports of U.S. soybeans and corn.

Total value of U.S. farm exports to the United Kingdom was about \$699 million in 1976. U.S. grain exports amounted to \$194 million with corn accounting for \$159 million. Unmanufactured tobacco from the United States totaled \$108 million. Other large U.S. exports were soybeans (\$78 million), and vegetables and preparations (\$68 million).

Since 1947, the United Kingdom has had only a few surpluses in its balance of payments. Although its trade deficit increased about 13 percent to about \$6.2 billion in 1976, the U.K. balance-of-payment deficit fell 8 percent to \$2.6 billion. The improvement in the deficit reflected a record year of tourist receipts, and transfers of funds from abroad.

Overall, the United Kingdom's gross farm output in 1976/77 (June-May) is estimated to rise 18 percent, but the value of inputs is forecast to increase 25 percent. The British net farm product is projected at \$3.9 billion, a gain of only 10 percent, compared with a 30-percent jump a year earlier. Net farm income is estimated up 10 percent to \$3 billion,

compared with a 28-percent increase the previous year. A major factor behind the slowdown in British agriculture was the mounting cost of imported feedgrains, which rose an estimated 38 percent to \$2.9 billion.

After planting a record area of winter cereals, the mood of British agriculture at the beginning of 1976 was optimistic. But 1976 turned out to be an extremely disappointing year.

During 1976, the value of the English pound plummeted, from a high of \$2.03 in January to a low of \$1.59 during the summer, thus increasing the costs of imported materials, such as protein foods, fuels, and fertilizers.

The forecast for 1977 is extremely cloudy as the United Kingdom enters its final transition year to complete integration within the EC. Recent international monetary measures may stabilize sterling at the present levels of around 1 £ = US\$1.71. British consumers have already cut down on food expenditures, particularly for high-protein items, leading to a fall in demand for red meats, potatoes, and fresh vegetables.

A factor that helped maintain farm imports in 1976—especially from the EC—was U.K. reluctance to devalue the green pound to reflect the full value of sterling. This policy—combined with consumer subsidies on milk, cheese, butter, tea, bread, and flour—helped boost demand for these items. But it remains in doubt how long the United Kingdom can keep the green pound far out of line with the value of sterling. It could be that 1977 will witness a green pound devaluation. Such a move—together with higher EC support prices for farm products and a continued phaseout of national consumer food subsidies—would significantly increase retail food prices at a time when consumer budgets already are tight. The United Kingdom has already phased out many consumer food subsidies during its transition to full EC prices.

Thus, continuing food-price inflation seems certain in 1977—particularly if the green pound is devalued further—along with further cuts in food imports. Any reductions in food imports are likely to be in direct consumption items, such as meats, dairy products, and fresh and processed fruits and vegetables. Yet, because the Government is determined to strive for self-sufficiency in livestock products, demand for imported feedgrains and oilseeds should remain strong.

Livestock, dairy, and poultry. The livestock sector continues to be the backbone of British agriculture with most arable land devoted either to livestock or feed production. Despite many adverse circumstances in 1976, livestock producers fared better than in 1975, largely because of high meat prices and improved returns from milk.

The heavy cattle cull of 1975, although leaving a streamlined and efficient dairy herd, seriously depleted slaughter cattle. Beef and veal production in 1976 dropped an estimated 130,000 tons to 1.07 million—about the 1974 level. A further reduction in beef production is expected in 1977.

Imports of live cattle from Ireland were down to 213,000 head (January-November), less than half the 477,000 head imported in 1975. Imports of beef and veal, however, rose 6 percent during this period from the low level of 1975 to 188,000 tons, product weight. Imports of offals continued to rise, jumping 18 percent in this period to 106,000 tons with the U.S. share increasing from 24,000 tons to 31,000.

Normally a large cattle importer, the United Kingdom

became a net exporter of live cattle in 1976. Livestock and meat prices, while high for U.K. consumers, were attractive in other EC countries, resulting in a heavy outflow of meats and consequent tight supplies on the British market.

Live cattle exports increased 56 percent to 273,000 head, with almost all of these going to the EC. Beef and veal exports during January-November slipped 5,000 tons to 94,000, compared with 1975, but were still almost double those of the same 1974 period.

Last year was exceptional for the U.K. dairy industry. Despite the smaller herd, milk production rose to about 13.6 billion liters, up from 13.1 billion in 1975. But high retail prices cut consumption by 59 million liters to a total of 7.60 billion. Most of the rise in manufacturing milk went into butter production, which increased 50 percent to 70,000 tons. The 1977 dairy prospects are generally favorable although higher retail prices and a phasing out of certain consumer subsidies may slow demand for fluid milk, butter, and cheese.

THE British sheep industry appears to have reached a plateau the past 2 years with sheep numbers stabilizing at about 28 million.

The long-awaited upturn in the pig cycle occurred in 1976 as the breeding herd increased almost 10 percent to 987,000 head. Pork production rose modestly to 862,000 tons, a gain of 17,000 tons, and a slight rise in output is forecast for 1977.

Benefiting from the generally high level of meat prices, poultry meat output expanded considerably in 1976 to 690,000 tons, about 10 percent higher than 1975's. Further expansion is expected in 1977 unless another rise in feed costs squeezes profits. Egg production, rising only 1 percent in 1976 to about 14 billion eggs, reflected a long-term slip in demand for eggs and consumer resistance to higher prices. The decline in egg output is predicted to continue in 1977.

Grains and feed. U.K. grain production in 1976 decreased about a half-million tons from 1975's to 13.5 million tons, despite a 31,000-hectare increase in planted area to 3.7 million hectares. The effects of 2 consecutive dry years were apparent in the reduced yields of most grains, especially wheat. One of the largest increases in the U.K. import bill in 1976 was in grains. The 1977 grain crop, however, is projected to recover to about 15 million tons. During 1976/77 (August-July), British grain imports are expected to rise 8.5 percent to about 9.1 million tons, while grain exports should drop less than 1 percent to 340,000 tons.

Wheat production in 1976 is estimated up slightly to about 4.8 million tons, but the increase was due entirely to a record planted area of 1.2 million hectares.

Wheat imports in 1976 rose 8 percent to 3.47 million tons, with France and Canada registering the largest gains in exports to the United Kingdom. Wheat imports of U.S. origin amounted to only 83,000 tons during the first 11 months of 1976, compared with 264,000 tons during the same 1975 period. This 1976 figure, however, is greatly understated because it is not adjusted to reflect transshipments of U.S. grains via Canada, the Netherlands, and Belgium. British wheat exports during January-November 1976 fell to 81,000 tons from 193,000 tons in 1975.

Barley production and area in 1976 dropped slightly to

about 7.8 million tons and 2.8 million hectares, respectively. It is likely that the 1977 barley area will show a significant increase, and production should rise about 1 million tons.

Total corn production—relatively insignificant in the United Kingdom—dropped to about 75,000 tons in 1976/77 from about 120,000 tons a year earlier. During January-November 1976, corn imports rose 14 percent to 3.44 million tons while imports of U.S. corn jumped 75 percent to 1.32 million tons. Imports of rice (milled equivalent) reached 134,000 tons, about 30 percent more than the previous year's. Imports of U.S. rice rose 26 percent to 23,000 tons, but Italy was the biggest supplier in 1976, shipping 49,000 tons to the United Kingdom.

Elsewhere in the feed sector, the drought's impact reduced fodder crops, whose total production of about 11.9 million tons was about 11 percent and 19 percent below 1975's and 1974's, respectively.

Compound feed production showed a sharp recovery in 1976 because of the shortfall in fodder supplies and improved returns in the livestock sector. Also, grain imports were boosted because world grain prices were low and the EC pre-fixed its levy on imported corn for a long period of time. Although full-year statistics are not available, figures for the first 9 months of 1976 show an 11.5 percent gain from the previous year to about 8.1 million tons.

Fruit and vegetables. Following two straight summers of drought, the 1976/77 potato production—estimated at about 4.6 million tons—is well below the 6.8 million tons harvested in 1974/75. Potato output decreased 33 percent in 1976/77 from that of a year earlier. Potato sizes were small, and keeping quality was not good. Given normal conditions in 1977, production should increase to about 6.7 million tons.

Apple output in 1976 was down slightly to 315,000 tons—primarily because of small-sized apples. But pear and plum production, responding to excellent spring weather, rose 114 percent and 105 percent to 58,000 tons and 43,000 tons, respectively.

The United Kingdom continues to be a large importer of fresh and processed fruits and vegetables. Apple imports jumped 15 percent to 359,000 tons while pear imports remained at about 47,000 tons, the level of the past 2 years.

Raisin imports rose for the second straight year, reaching 107,000 tons—an increase of 19 percent. Imports from the United States climbed from 5,000 tons to 8,000, but those from Greece, an EC associate, shot up from about 15,000 tons to 50,000 for the first 11 months of 1976.

Oilseeds. The sharp 1976 increase in oilseed imports, up from 959,000 tons to about 1.5 million, centered on soybeans, whose imports rose 46 percent to 1.05 million tons. Imports of U.S. soybeans totaled about 1.02 million tons, compared with just 631,000 a year earlier. Brazil's soybean exports to the United Kingdom dropped sharply from 83,000 tons in 1975 to about 25,000 last year.

Tobacco. Imports of tobacco increased in 1976 as leaf imports rose 2.5 percent to 134,175 tons. Imports from the United States, however, continued their long-term decline, dropping 2 percent to 32,502 tons as most of the increased leaf imports came from developing countries.

—Based on dispatch from
Office of U.S. Agricultural Attaché, London

DUTCH ECONOMY ADVANCES DESPITE DROUGHT DAMAGE

IN THE NETHERLANDS, as elsewhere in the European Community, effects of the 1976 drought were especially severe on cattle farming and to a lesser extent on potato and vegetable production. Cattle herds were 1.6 percent smaller than last year's, but contrary to earlier fears, the dairy herd has remained virtually unchanged and dairy production will once again show a modest gain. Total grain production was slightly better than in 1975, but markedly better than in 1974.

Real gross national product (GNP) grew by 3.5 percent, but the business community and some farmers thought the improvement spotty.

Some 28,000 business firms—of 45,000 surveyed by the Netherlands Chamber of Commerce—reported that profits in 1976 were too small to foster growth. Some farmers—including a number engaged in truck crop gardening—went further and said their profitability was deteriorating. But preliminary and incomplete data show that despite the general malaise of the Dutch industrial sector, agricultural production and processing industries have been humming at a reasonably active rate.

Real GNP growth is foreseen at 3-4 percent in 1977, although inflation and unemployment remain major soft spots. Production of traditional crops—whose volume was reduced by drought—is expected to rebound to normal this year.

Agriculture plays a significant role in the Netherlands over-all trade and in 1976 both agricultural imports and exports rose significantly.

Data for January-November 1976, show that agricultural imports, totaling 13.1 billion guilders, constituted 16 percent of the Dutch import total and were 12 percent higher in value than agricultural imports during the corresponding period of 1975. On the export side, the Netherlands achieved record foreign agricultural sales of over 20 billion guilders—up 13 percent from those of the 1975 period—representing 24 percent of the country's export total. (In 1976, the average exchange rate was 1 guilder=37.8 U.S. cents.)

In 1976, U.S. agricultural exports to the Netherlands (unadjusted for transshipments to and from that country) increased almost a tenth in value to \$1.88 billion and may total \$2 billion in 1977.¹

The rise in total value assumes added significance in view of generally lower average unit prices received for the commodities that make up the bulk of U.S. shipments to the Netherlands—feedgrains, oilseeds and products, meat products, tobacco, and wheat. Exports of these commodities, which normally account for over 90 percent of U.S. exports to the Netherlands, stood at 80 percent in 1976.

U.S. export volume rose substantially in 1976 for: Rice (up 84 percent), barley and oats (up over 1,000 percent), pulses (up 50 percent), soybeans (up 19 percent), and soy-

bean cake and meal (up 33 percent).

Also, poultry meat (up 53 percent), inedible tallow and greases (up 195 percent), fresh vegetables (up over 1,000 percent), beef and veal (up 69 percent), variety meats (up 30 percent), and fruit juices (up 45 percent).

Exports of prepared feeds and fodders rose 58 percent in volume; feed and garden seeds, 44 percent.

Projections for 1976/77 indicate that U.S. wheat exports to the Netherlands may drop off, those of corn increase, and U.S. oilseed exports will remain strong. U.S. onion, vegetable, and potato exports, unusually large due to the 1976 drought, will drop in 1977.

Grain and feed. Although the drought cut production of some grains, an increase in wheat outturn resulted in a total crop of 1.14 million tons, 4.5 percent higher than 1975's 1.08 million tons. Outturn of barley was down 22 percent to 263,000 tons; oats by 35 percent to 103,000 tons, and corn by 34 percent to 4,000 tons. Wheat production increased 34 percent, from 528,000 tons in 1975 to 710,000 tons a year later. Rye outturn rose 3 percent to 65,000 tons.

Despite the increase in total grain production, the Netherlands imported large quantities, much of it for domestic compound feed production but also for transshipment to other countries. The United States is a major supplier of these imports and in the 1975/76 Dutch marketing year (August-July) supplied 5.1 million tons, almost 1 million tons of which were wheat. Indications are, however, that total 1976/77 wheat purchases may be noticeably smaller than the previous season's. In 1976/77, U.S. grain exports to the Netherlands are projected at about 5.5 million tons.

Dutch data show that in the first 4 months of the 1976/77 season (August 1-November 30, 1976) the Netherlands imported 52 percent less wheat from all sources than in the previous period—516,400 tons, compared with 1.08 million tons. But these figures tell only part of the story.

In 1975, the domestic wheat crop was of low average quality, necessitating greater use of higher quality imported protein wheat in flour grindings. The wide discrepancy in freight rates between large bulk carriers and smaller cargo ships made it advantageous to discharge wheat from larger craft in Dutch ports, especially Rotterdam, for transshipment to other countries.

None of these factors has played an important role in wheat shipments thus far this season. The consequence is that far less overseas wheat has been transshipped through the Netherlands.

PROJECTIONS for the remainder of the 1976/77 season indicate a cut of 30 percent or more in transshipments of foreign wheat to nearby countries, and a reduction to 5-10 percent in the utilization of such wheat in the domestic grist. Moreover, because of marketing conditions in the EC, the Dutch will be forced to expand use of domestic and EC-origin wheats.

One of the most important sources of corn for the Netherlands feed industry, the United States sold 3.6 million tons to that country in 1975/76, 22 percent less than in the previous year. During the current Dutch marketing year (1976/77), shortages caused by last summer's West European

¹ In the past 5 years, U.S. agricultural exports to the Netherlands, adjusted for transshipments, have been about 15-25 percent below the unadjusted level.

drought will result in a sharp increase of U.S. corn sales to the Netherlands, currently projected at 5.1 million tons.

Total feedgrain imports (corn, sorghum, barley, and other feedgrains) during the first 4 months of the 1976/77 season totaled 2.9 million metric tons, compared with 2.5 million in the same period of 1975/76. Net imports of feedgrains were 1.5 million tons in the August-November 1976 period, and slightly less in the 1975 period, indicating that more than 15 percent of the total increase was destined for transshipment to surrounding EC-member countries. Dutch feedgrain imports from other EC countries (mainly France) were replaced by higher purchases from the United States and other non-EC countries.

Oilseeds. A minor producer of oilseeds, the Netherlands produced only 5,000 tons of flaxseed in 1976, the same as in 1975, while rapeseed output fell from 37,000 tons in 1975 to 34,000 in 1976.

During January-November 1976, Dutch imports of oilseeds and fats and oils at 102,200 tons (fat/oil basis) were 9.2 percent higher than in the same period of 1975. By far the biggest gainer was coconut oil, closely followed by soybeans.

The United States and Brazil are the Netherlands major soybean suppliers. Total Dutch soybean imports—1.6 million tons in 1976—were 323,400 tons, or 28 percent higher than in 1975. About 95 percent of the total came from the United States. Imports of Brazilian soybeans were about 70,000 tons.

Poultry. Production of poultry meat rose by 3.5 percent to 320,000 tons in 1976, and is expected to rise to about 329,000 tons in 1977. Broilers constitute the largest portion of poultry meat production—88 percent—and also make up 85 percent of Dutch poultry exports, which rose 4 percent to about 241,000 tons in 1976.

The Dutch share of poultry meat exports to the European Community was expected to fall from 92 percent in 1975 to 88 percent in 1976 and may drop further in 1977.

Livestock. Last summer's drought caused major problems for Dutch livestock farmers. In July, August, and September, cattle slaughter rates increased 25 percent over the same months a year earlier. Those forced to sell in that period lost money because of the market glut.

Total Dutch red meat outturn was down slightly to 1.22 million tons, and is expected to fall to 1.20 million in 1977. Production of all red meat categories rose except for beef and veal—which dropped 4 percent to an estimated 360,000 tons. Mutton, lamb, and horsemeat increased by 2 percent to about 19,750 tons, while pork output rose slightly to 845,000 tons.

Increasing from 112 tons, productweight, in 1975 to 273 tons in 1976, most of the beef imported from the United States is high quality tenderloins and steaks for the hotel and restaurant trade. Part of these shipments are reexported to other countries.

The Dutch hog fattener has had a difficult time, as higher feed costs in most of 1976 were not offset by increased end-product prices. Prospects for the first half of 1977 are gloomy because a more-than-adequate supply of slaughter hogs is on the market and some expansion is expected to continue throughout the year. Nonetheless, many producers believe that the Dutch slaughter hog industry will at best grow only modestly in 1977.

Exports of canned hams to the United States fell by 22 per-

cent to 24,872 tons in 1976, and may decline further in 1977. About 400 workers in two Danish-owned meat product plants—and a few Dutch-owned plants—face dismissals if the owners are unable to find buyers for the plants or their products.

Total Dutch livestock and meat imports increased in 1976 by 12 percent to 176,235 tons. The United States remains the most important supplier of variety meats on the Dutch import market—15,135 tons in 1975 versus 16,573 tons in 1976, a 9.5 percent increase.

IMPORTS OF U.S. horsemeat, mainly for processing, decreased 8.5 percent from 17,103 tons in 1975 to 15,761 tons in 1976. The United States holds 46.3 percent of the Dutch horsemeat import market.

Dairy. Based on deliveries to dairy factories of slightly more than 10 million tons, Dutch milk production is estimated at 10.5 million tons, up from 10.2 million in 1975. The 1976 outturn was produced from a dairy herd of 2.23 million head—about the same size as that of 1975—and reflects a further 2.4 percent increase in average outturn per cow.

Fruit and vegetables. Dutch vegetable prices reacted strongly to the 1976 summer drought, but this reflex was not directly proportional to the size of the shortages. For example, although vegetable supplies were down just 8 percent in August, average vegetable prices were 85 percent higher in 1976 than the previous year. For 1976 as a whole fresh vegetable retail prices increased by 16 percent, while fruit prices rose by only 1 percent. Potato prices went to a record high because of the wide-ranging West European shortage, particularly for larger size potatoes.

Dutch potato production has fallen steadily since 1974—from 6.1 million tons to 4.8 million tons in 1976. A direct consequence of this downtrend, and shortages in output of other West European vegetable and potato crops, were larger Dutch imports of U.S. potatoes, onions, and dried beans.

Dutch imports of U.S. potatoes amounted to 30,000 tons in 1976. Canada supplied a like amount and Argentina, 15,000 tons.

Dutch farmers increased onion area by 13 percent in 1976, but the drought hit the crop hard, and production fell by 14 percent from 422,000 tons in 1975 to 361,300 tons a year later. Despite this cutback, the Netherlands still has sizable onion stocks, and imports may be relatively small. Sales of U.S. onions will depend on price and competition from new crop onions from South Africa, New Zealand, and Australia.

Citrus fruit. The United States is the second most important grapefruit supplier to the Dutch market, with the U.S. red grapefruit gaining favor with consumers. The market is dominated by Jaffa grapefruit from Israel, which often sells at prices lower than the U.S. product. In 1975/76, U.S. grapefruit exports to the Netherlands amounted to 28,000 tons, more than double the 1974/75 record high.

Dutch orange imports in 1976/77 are expected to be lower than in 1975/76, but will still be sizable compared with earlier periods. U.S. orange exports to the Netherlands totaled 41,000 tons last season, a third less than in 1974/75.

—PITAMBER DEVGON,

Former Assistant U.S. Agricultural Attaché, The Hague

Asian Sugar Producers Show Mixed Reaction to Low Prices

By LESLIE C. HURT

*Foreign Commodity Analysis, Sugar and Tropical Products
Foreign Agricultural Service*



Mechanical grading and bagging of sugar in Uttar Pradesh, India.

WITH LOW prices dampening the once-boundless optimism over sugar cultivation, four key Asian producers—the Philippines, India, Thailand, and Indonesia—have scaled down their expectations of future returns from this crop. Yet actual reactions to the situation are varying radically—from substantial cuts in area slated for

the Philippines to plans for continued rapid expansion in Thailand.

And any of these countries' plans are subject to modification should the price of sugar rise only a few cents per kilogram, given the strong position of sugar in their economies and still-fresh memories of huge profits once earned from sugar.

Sugar, indeed, is highly important to all four countries. India is the world's No. 1 sugar producer (when gur is in-

cluded) as well as an important exporter—in turn, counting this product as a leading foreign exchange earner. The Philippines ranks as a top exporter, last year producing far more than it could sell abroad, while Thailand has boosted output 700 percent since 1966/67 to become a major exporter also. Only Indonesia is a net importer of sugar, and it has moved aggressively to change this position in the near future.

India today has more sugarcane area than any other country in the world—28 million hectares were harvested last year to produce a cane crop of 140 million metric tons and a centrifugal sugar output of 5.5 million. In addition, about half of the sugarcane crop goes into production of noncentrifugal farm-produced brown sugar, commonly known as gur, and a native semiwhite centrifugal sugar known as khandsari. Khandsari sugar, in fact, has been a stiff competitor recently for supplies of cane in view of 1976/77 prices for khandsari that exceeded those for mill sugar.

The Government of India buys 65 percent of the mill-produced sugar, while 35 percent is sold on the free market at whatever price it can bring. The Government-run State Trading Corporation generally draws from the 65 percent portion for export sales but sometimes must also buy supplies on the free market.

In 1975/76 (April-March) sugar was India's top agricultural export, with shipments to Iran, Egypt, the United States, and other markets totaling 1.2 million tons valued at about \$540 million. However, sugar lost that lead position in 1976/77 as exports fell to about half the 1975/76 volume, and value plunged even further in the wake of a steep decline in world sugar prices.

As a result of these reduced export returns, India has modified plans that once called for steady gains in production and emphasis on export trade. These revised plans include erection of many new mills over the next 10 years to supplement—and in some cases replace—the 260 mills now existing, so that India can meet increasing domestic requirements and boost exports to around 1.5 million tons a year. The new mills will be rather small in size but close together, which will cut down on the distance over which cane must be hauled.

In the Philippines, sugar is the main-

Based on a market inspection trip by the author to the four countries during February 1977.

stay of the economy, accounting for 20-25 percent of total export earnings recently and even more when prices are above the low levels now prevailing. Sugar milling in 1976/77 is running behind that of 1975/76, and, owing to the late start, output will be down this season to about 2.6 million tons from 2.8 million in 1975/76.

In contrast to a slow export year in 1975/76, when a huge 1.5-million-ton carryover accumulated and exports fell to 1.2 million tons, the Philippines has arranged for sizable 1976/77 exports. Bilateral agreements entered into by the country, in fact, call for shipments of 2.5 million tons this season, a level not likely to be achieved since port facilities can only handle about 2.2 million this year.

One contract with the USSR calls for shipment of 600,000 tons of sugar from January through June 1977. Others include shipments to Algeria, the People's Republic of China, and 1.35 million tons to the United States. Most of the bilateral agreements call for new-crop sugar, rather than any of the large carryover from previous crops, thereby leaving old-crop sugar for domestic consumption.

In the Philippines, individual mills make their own contracts with the growers, with some mills paying as much as 65-70 percent of the value of sugar and molasses. The price for sugar, on the other hand, is set by the Government. For the 1976/77 harvest, the price has been set at 81 pesos per picul, or about 3.5 U.S. cents per kilogram, which is about the breakeven point for efficient farmers but a loss for marginal ones.

As a result, some major cutbacks are expected to take place in Philippine sugarcane production next year. On Luzon, for instance, an area reduction of 10 percent is possible, and on Negros, the cut could go considerably deeper. The Government is encouraging the shift from sugar to more promising crops such as corn, rice, sorghum, and mungo beans.

THE PHILIPPINES currently has 40 sugarmills (two recently built), one more due to come on line next season, and two scheduled to be constructed.

In **Thailand**, sugar production in 1976/77 will probably reach slightly more than 1.8 million tons, leaving about 1.2 million for export. Bilateral agreements and forward sales already

1976/77 World Sugar Output Tops Usage

World sugar output in 1976/77 is now estimated at 86.8 million metric tons, raw value, 6 percent above the revised 1975/76 outturn of 82 million tons. Although down slightly from the November 1976 estimate, this year's production is a record high.

Major reductions since the November estimate are in output of the USSR, the Philippines, U.S. cane sugar, and Colombia. The principal upward adjustments were for India, Italy, U.S. beet sugar, and the Dominican Republic.

Wet weather during much of the growing season and the harvest period was primarily responsible for the reduction in the USSR. In India, the production expansion was encouraged by price incentives.

World production in 1976/77 will be about 4 million tons above world consumption, now placed at 82.8 million tons. Stocks at the beginning of the 1976/77 grinding season in 46 major countries were about 1.2 million tons above the year-earlier level and are forecast to be up considerably by the beginning of the next grinding season.

Indications are that beet sugar area in the United States during 1977/78 will be down about 7 percent because of lower market prices, while price supports and other incentives will encourage a beet area increase of about 1 percent in Europe, including the USSR.

The largest increase is expected to occur in the USSR and Eastern Europe. The European Community is expected to have slightly reduced area, while the rest of Western Europe is likely to have the same beet area in 1977/78 as in 1976/77.

In North America, Cuba's production during 1976/77 is estimated at 5.8 million tons. Harvesting is still underway, and unfavorable weather may result in a downward revision of the estimate. Drought conditions during the growing season were followed by heavy rains in December.

The Dominican Republic's 1976/77 production estimate has been revised to 1.4 million tons, which includes authorized quota distribution of 800,000 tons to the U.S. market, 400,000 for the domestic market, and 200,000 tons for reserve supplies.

The production estimate for Mexico during 1976/77 has been reduced slightly to 2.7 million tons. Although

area and output increased, wet weather lowered sugar content and made it difficult to move cane to the mills.

Although the 1976/77 U.S. beet sugar outturn has been revised upward, this increase was more than offset by a reduced estimate of U.S. cane sugar production. Louisiana's cane area experienced a freeze in late November, and Florida production areas were hit by a severe freeze in mid-January.

U.S. sugar imports during 1976 totaled 4.2 million tons, raw value, some 20 percent above those of the previous year. Planting intentions in January for the 1977/78 beet crop were down 7 percent from last year's total.

In South America, Brazil's production estimate for 1976/77 remains unchanged at a record 7.5 million tons. Area harvested in 1976/77 is estimated to be well above that of a year earlier as are cane yields and production.

Colombia's 1976/77 crop estimate has been lowered by more than 100,000 tons because of dry weather. About 85,000 hectares are expected to be harvested out of total plantings of 125,000 hectares.

In Europe, the estimate for France's 1976/77 sugar outturn has been revised upward slightly to 2.9 million tons. Imports of raw sugar are expected to be 385,000 tons and refined sugar imports are placed at 68,000 tons.

Poland's production of sugar beets amounted to 16.3 million tons during 1976/77 and procurements through December 1976 totaled 15.1 million tons. Output during 1976/77 was up 3.5 percent from the year-earlier level, while procurements by the end of 1976 were down less than 1 percent from those in the same period of 1975. Production in 1976/77 is still estimated at 2 million tons.

In the USSR—mainly because ample rainfall induced excellent yields—the sugarbeet harvest at 98.6 million tons was very large in 1976/77. However, sugar output was limited by low sugar content, difficulties in harvesting caused by wet, cold weather, and problems in grinding such a large crop. Production is estimated at 8.7 million tons, and the outturn may be less.

The 1976/77 production estimate for the People's Republic of China remains unchanged at 2.6 million tons.

—GORDON E. PATTY, FAS

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FOREIGN AGRICULTURE

Asian Sugar Producers

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have accounted for all but about 200,000 tons of these exports, with sizable quantities again scheduled to move to the U.S. market. Thailand's sugar exports to the United States rose dramatically after expiration of the U.S. Sugar Act in 1974, rising 345 percent in 1975 to 104,051 tons valued at \$45 million. In 1976, they dropped to 62,678 tons valued at \$20.6 million but still were higher than usual.

Of course, Thailand's sugar exports to other markets, such as Japan and Sri Lanka, also have grown rapidly in recent years in response to burgeoning production that has risen eightfold in the last decade. So far, most of this gain has come from expanded acreage, although yields also have improved.

Milling capacity has grown apace with cane output, and Thailand now has 42 sugarmills, with two new mills slated for construction this year. Still, much of the cane must be hauled long distances by truck—often as far as 100 kilometers.

The mills contract with growers or groups of growers for their cane, and the farmer is paid on the basis of sugar content. The Government requires that the growers be paid a minimum price by the mills.

Despite the low world prices now

prevailing, Thailand seems determined to continue its sugar expansion—although no doubt at a slower rate than in the past. For the country still has ample land available for further expansion, and cost of production is believed to be well below the payment received by growers.

Sugar production in **Indonesia** for 1976/77 is estimated at 1.25 million tons. Since per capita consumption amounts to 10.3 kilograms for a population of 135 million, imports this year will have to be at least 150,000 tons and could go as high as 200,000. Indonesia now has 58 sugarmills, 50 of which are at least partially owned by the Government. One more mill has

been contracted to be built, but previous plans to add several new mills have been deferred.

Government plans call for Indonesia to be self-sufficient in sugar by 1982. At that time, both production and consumption are expected to amount to 1,620,000 tons, with a yearly per capita consumption of 10.5 kilograms.

Projections to 1985 call for production and consumption of 1,850,000 tons, with per capita consumption of 11.3 kilograms. Mills have been renting land from farmers for production of sugarcane, but this practice is being phased out as part of a 5-year program—now in its second year—aimed at turning all such lands back to the farmers.

World Wheat Output for 1977/78

Continued from page 5

off 900,000 tons since February's report to 25.4 million.

The 1976/77 estimate of world coarse grain imports (excluding intra-EC) is at a record level of 79.9 million tons, up 1.2 million since the last assessment. Import projections have been raised 1.5 million tons for Eastern Europe and 300,000 tons for Japan—and lowered 1 million tons for the USSR. Coarse grain export estimates are up since the last report, by 600,000 tons for Argentina and 500,000 tons for Brazil. Soviet exports are down 1 million tons to 5 million. U.S. coarse grain exports are placed at 51.6 million tons,

which amount to 65 percent of world trade.

Burma's rice crop, damaged by unseasonal rainfall, is now estimated at 9.3 million tons, about 600,000 tons lower than February's estimate. Other major projection changes since February are: PRC, 118 million tons (down 1 million), Brazil, 7.8 million (down 200,000); and India, 67 million (up 300,000).

Trade (milled basis) prospects for calendar 1977 are pegged at 7.8 million tons, about the same level as in 1976. The United States (2.2 million tons) is the largest exporter, and Indonesia (1.5 million tons) is the biggest importer.